

Huge steps up war on MTN takeover

Lesley Stones

A BID by MTN to take over the cellular airtime distributor iTalk will face fierce opposition if rival bidder the Huge Group wins permission to take part in Competition Tribunal hearings.

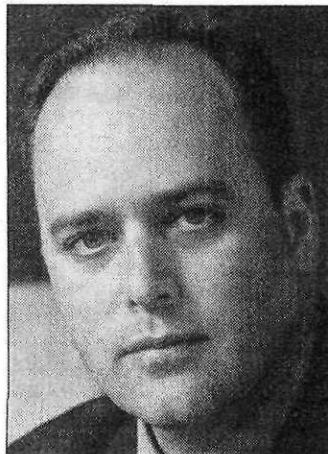
Huge saw its own R511m bid for iTalk thwarted by a rival bid from MTN, which holds 49% of iTalk and has a pre-emptive right to buy the rest. The only way Huge can derail that deal is to persuade the tribunal that letting MTN swallow a semi-independent service provider would be bad for the industry.

Today Huge will ask the tribunal for permission to participate in the hearings, giving it a right to cross-examine witnesses, propose its own witnesses and present expert evidence in a bid to influence the verdict.

The Competition Commission has assessed MTN's proposal to acquire the remaining 59% of iTalk, and recommended that the tribunal approves the move without conditions.

Huge chairman Anton Potgieter is opposed to the acquisition, saying it would lessen competition in the cellular market. Huge said Potgieter thought MTN would use its control of iTalk to diminish competition and restrict the ability of other service providers to spark competition for mobile telephony products and services. Huge said MTN would eliminate discounts iTalk offered consumers.

Potgieter said those objections had enough merit to see the tribunal veto MTN's deal so Huge could close the deal itself. Its own bid depended on MTN granting approval, and that never happened as MTN made the move on iTalk instead.



Anton Potgieter

Huge had won Competition Commission approval to buy iTalk before MTN decided to exercise its pre-emptive right.

Potgieter wanted to acquire iTalk to add consumer offerings to complement its existing focus on supplying managed telecoms services to corporate customers.

Competition authorities knew of the declining lack of consumer choice as stand-alone retailers are taken over by the cellular networks. This gave Potgieter the hope that further consolidation by dominant network operators would be vetoed.

Frost & Sullivan analyst Lindsey McDonald said SA's telecoms market had only just begun to enjoy the benefits of competition.

Huge feared MTN's purchase of iTalk would leave only Autopage and Nashua as alternative players in the market. Yet Frost & Sullivan believed that other, smaller players were still operating effectively, so MTN's purchase of iTalk might not put consumers at a disadvantage.